

Message Text

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ACTION STR-07

INFO OCT-01 ISO-00 STRE-00 IO-13 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02
OMB-01 DOE-11 AF-10 ARA-10 EA-10 EUR-12 NEA-10
/157 W

-----031052 171925Z /14

P 171758Z MAR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 7377
INFO ALL EC CAPITALS

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USMTN, USEEC
ACTION STR PASS ELECTRICALLY
STR PASS CODEL

E.O.11652:N/A
TAGS: MTN, EEC, ETRD
SUBJECT: MTN: US/EC BILATERAL ON TARIFFS AND BILATERAL
NONTARIFF MEASURES

1. SUMMARY. USMTN DEL (MCNAMARA, MARSH, MALISH) MET WITH
EC DEL (DUGIMONT, ABBOTT, HUYSMANS, ET AL) TO DISCUSS
TARIFF OFFERS AND PROGRESS TO DATE ON BILATERAL NONTARIFF
MEASURES. MTN DEL, DRAWING ON GUIDANCE AND INFORMATION
PROVIDED IN TPSC 78-24 HIGHLIGHTED POSITIVE ASPECTS OF
U.S. TARIFF OFFER, WITH EMPHASIS ON BENEFITS THAT COULD
ACCRUE TO EC FROM GREATER-THAN-FORMULA REDUCTIONS. (WE
DISTRIBUTED TABULATION SHOWING ITEMS WHERE EC WAS A SUB-
STANTIAL SUPPLIER AND THE U.S. WAS MAKING GREATER-THAN-
FORMULA REDUCTIONS.) U.S. DEL ALSO GAVE PRELIMINARY
OVERVIEW OF U.S. SECTORAL INTERESTS THAT MUST BE ACCOM-
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MODATED IF WE ARE TO MAINTAIN CURRENT U.S. OFFERS IN
THESE AREAS. EC DEL CONFINED COMMENTS LARGELY TO
TECHNICAL MATTERS AND DID NOT TRY TO ENGAGE U.S. SUB-
STANTIVELY ON U.S. OFFERS. END SUMMARY.

2. USMTN DEL MET MARCH 15 WITH EC DEL (EC COMMISSION AND
MEMBER STATES) TO DESCRIBE VALUE OF U.S. OFFER TO EC AND

TO BEGIN TO GIVE SOME INDICATION OF WHERE IMPROVEMENTS IN THE EC OFFER ARE ESSENTIAL TO THE MAINTENANCE OF CURRENT U.S. OFFERS. WE HIGHLIGHTED POSITIVE ASPECTS OF U.S. OFFER, IN PARTICULAR THE RESTRAINT WE HAD SHOWN ON EXCEPTIONS AND OUR GENEROSITY IN OFFERING GREATER-THAN-FORMULA REDUCTIONS ON MORE THAN 50 PERCENT OF EC EXPORTS TO U.S. WE NOTED THAT THE EC OFFER WAS SIGNIFICANTLY LESS ATTRACTIVE, WHETHER EVALUATED ON A PRODUCT-BY-PRODUCT BASIS OR IN TERMS OF OVERALL RECIPROCITY MEASURES. WE POINTED TO THE DISPARITY IN POST-MTN AVERAGES WHICH WOULD RESULT FROM IMPLEMENTATION OF OUR CURRENT OFFERS AND MADE CLEAR THAT WE COULD NOT ACCEPT THIS DISPARITY AS A FINAL RESULT OF THE NEGOTIATIONS. WE INFORMED EC OF U.S. INTENT TO REQUEST FURTHER REDUCTIONS IN EC TARIFFS, WITH LIST TO BE SUBMITTED SHORTLY AFTER THE EASTER HOLIDAYS.

3. EC DEL (DUGIMONT) REPLIED WITH FAMILIAR EC DEBATING POINTS, SHOWING NO INTEREST IN ENGAGING U.S. ON SUBSTANTIVE ISSUES. HE AGAIN CLAIMED THAT THE U.S. PETROLEUM EXCLUSIONS HAD A SIGNIFICANT NEGATIVE IMPACT ON THE EC, PARTICULARLY SINCE SOME ITEMS WOULD REMAIN UNBOUND. HE ACCUSED THE U.S. OF IGNORING THE GOAL OF HARMONIZATION IN CONSTRUCTING ITS OFFER. THE EC CONSIDERS THAT THE U.S. EXCEPTED ALL TARIFFS WITH RATES ABOVE 21 PERCENT SINCE CUTS ON THESE ITEMS WERE LIMITED TO 60 PERCENT. HE ALSO POINTED TO THE FACT THAT IF THE U.S. APPLIED THE LIMITED OFFICIAL USE

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FORMULA WITHOUT EXCEPTIONS OR LIMITATIONS, NO POST-MTN U.S. INDUSTRIAL DUTY WOULD EXCEED 13 PERCENT. HOWEVER, BASED ON THE PRESENT U.S. OFFER, A "NOT-NEGLIGIBLE" PERCENTAGE OF EC TRADE WOULD STILL ENTER THE U.S. AT RATES ABOVE 20 PERCENT. THIS COMPARED WITH THE FACT THAT THE POST-MTN COMMON EXTERNAL TARIFF WOULD CONTAIN NO RATE ON INDUSTRIAL PRODUCTS ABOVE 11 PERCENT. FINALLY, HE WONDERED HOW THE U.S. COULD CLAIM IT HAD USED RESTRAINT IN EXCEPTIONS, CONSIDERING ITS LONG AND TRADE-IMPORTANT LIST OF MANDATORY EXCEPTIONS. THE EC HAD NO INTENTION OF DISTINGUISHING BETWEEN U.S. ECONOMIC AND MANDATORY EXCEPTIONS.

4. U.S. DEL REPLIED THAT U.S. PETROLEUM EXCLUSION WAS IN FACT NO EXCEPTION AT ALL SINCE U.S. RATES ON ITEMS OF INTEREST TO EC WERE SO LOW AS TO NOT REQUIRE ANY REDUCTIONS UNDER THE WORKING HYPOTHESIS. AS TO THE FACT THAT OUR UNBOUND RATES IN PETROLEUM WOULD REMAIN UNBOUND, WE NOTED THAT THE POST-MTN EC TARIFF SCHEDULE WOULD INCLUDE A MUCH HIGHER PERCENTAGE OF UNBOUND RATES THAN WOULD THE U.S.' BECAUSE OF EC UNWILLINGNESS TO REDUCE AND BIND AGRICULTURAL TARIFFS. WE OBSERVED THAT REPORTS HAVE COME

TO US THAT THE EC WAS ITSELF CONSIDERING RAISING ITS
DUTIES ON PETROLEUM. ON THE MATTER OF THE 60 PERCENT
LIMIT ON U.S. TARIFF CUTTING AUTHORITY, WE NOTED THAT THE
EC HAD KNOWN FOR YEARS THAT U.S. WAS BOUND BY TRADE ACT
LIMITATIONS AND THAT THIS QUESTION HAD BEEN DISCUSSED ON
SEVERAL OCCASIONS IN NEGOTIATION OF THE WORKING
HYPOTHESIS.

5. U.S. DEL, DRAWING ON GUIDANCE PROVIDED IN TPSC 78-24,
PRESENTED WHAT WE CALLED A VERY PRELIMINARY OVERVIEW OF
LINKAGES AND CONDITIONS THAT EXIST BETWEEN MAINTENANCE OF
THE U.S. TARIFF AND NTM OFFERS AND ACTION BY THE EC BOTH
IN THE NTM AREA (CODES INCLUDED) AND TO IMPROVE ITS
TARIFFS OFFER. ABBOTT, WHO WAS PRESENT DURING THIS PART
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OF THE DISCUSSION, CAUTIONED THE U.S. AGAINST THE DANGER

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INFO OCT-01 ISO-00 STRE-00 IO-13 AF-10 ARA-10 EA-10
EUR-12 NEA-10 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01 DOE-11
/157 W

-----031877 171925Z /14

P 171758Z MAR 78
FM USMISSION GENEVA
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ACTION STR PASS ELECTRONICALLY
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OF UNRAVELING THE NEGOTIATIONS BY MODIFYING OUR TARIFF OFFER SIGNIFICANTLY BECAUSE WE DID NOT ACHIEVE ALL THAT WE HOPED IN CERTAIN NTM AREAS. ABBOTT STATED THAT THE EC STILL WANTED THE CODES, SUCH AS PROCUREMENT AND STANDARDS TO BE BALANCED. IF THE EC WAS NOT IN A POSITION TO INCLUDE A CERTAIN ENTITY OR PRODUCT GROUPING UNDER THE COVERAGE OF THE CODE, THE U.S. WOULD BE ALLOWED TO LIMIT ITS OWN COVERAGE TO PROVIDE FOR BALANCE. WE REPLIED THAT WHILE WE WERE TRYING TO AVOID ITEM-BY-ITEM LINKAGES, MANY OF WHICH HAD BEEN REQUESTED BY OUR ADVISORS, WE COULD NOT AVOID CONDITIONALITY WHERE A SECTOR'S INTERESTS WERE HEAVILY DEPENDENT UPON THE SUCCESS OF ONE OR ANOTHER NTM CODES. WE DO NOT, HOWEVER, FEEL THAT WE HAD PLACED MORE CONDITIONS ON THE U.S. TARIFF OFFER THAN THE EC, AND NOTED THE EC'S REPEATED MENTION OF VALUATION AND SAFEGUARDS AS AREAS WHERE THE LACK OF EC SATISFACTION WOULD LIMITED OFFICIAL USE

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MEAN A RETRENCHMENT ON ITS TARIFFS OFFERS.

6. EC DEL AGAIN ASKED THAT THE U.S. COMMENT ON THE DISPOSITION OF ITEMS IN THE TO-BE-SPECIFIED CATEGORY OF THE U.S. OFFER. THEY INQUIRED AS TO THE TIMING AND PURPOSES OF THE U.S. ITC INVESTIGATION ON ASP AND FINAL LIST, CERAMIC DINNERWARE, SIMPLIFICATION, CONVERSION OF COMPOUND AND SPECIFIC RATES TO AD VALOREM RATES, U.S. INTENT ON THE FOB/CIF PROBLEM, AS WELL AS U.S. INTENT REGARDING FERROCHROME AND INDUSTRIAL FASTENERS NOW THAT THE 201 INVESTIGATIONS ON THESE PRODUCTS HAVE BEEN CONCLUDED. WE EXPLAINED THAT PUBLIC NOTICE OF THE U.S. ITC INVESTIGATION ON ASP AND FINAL LIST WOULD BE ISSUED SHORTLY. WE SAID THAT ALTHOUGH THE TIME LIMIT PLACED ON THESE INVESTIGATIONS WOULD PROBABLY BE JUNE 1, IN FACT EVERY EFFORT WAS BEING MADE TO CONCLUDE THE INVESTIGATIONS PRIOR TO THAT DATE. DUGIMONT STATED THAT HE HOPED THIS WAS THE CASE SINCE WAITING UNTIL JUNE TO TABLE OFFERS CERTAINLY MADE IT APPEAR THAT THE U.S. DID NOT TAKE ITS OWN JULY DEADLINE SERIOUSLY. WE NOTED THAT ON FERROCHROME WE HAD NOT YET RECEIVED GUIDANCE, BUT WE UNDERSTOOD THAT THIS PRODUCT WAS PRESENTLY BEING CONSIDERED. ON INDUSTRIAL FASTENERS, CONGRESS WAS CONSIDERING RESOLUTIONS TO OVERRIDE THE PRESIDENT'S DECISION ON THESE ITEMS AND THEREFORE PRESENTATION OF A U.S. OFFER WAS UNLIKELY UNTIL THE CONGRESS HAD DECIDED WHAT TO DO. WE NOTED THAT THEY WERE GIVEN 90 WORKING DAYS TO MAKE SUCH A DECISION BUT THAT WE HOPED A DECISION WOULD BE MADE IN A CONSIDERABLY SHORTER PERIOD.

7. WE PROBED THE EC ON THEIR ANALYSIS OF THE U.S. OFFER. DUGIMONT SAID HE WAS NOT ABLE TO SAY ANYTHING AT THIS

POINT. HE DID, HOWEVER, OFFER THE OBSERVATION THAT THE
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EC INTENDED TO CONTEST JAPANESE USE OF STATUTORY RATES
FOR THEIR OFFERS ON UNBOUND ITEMS. THEY WOULD ALSO
OPPOSE CERTAIN JAPANESE EXCLUSIONS. ON OTHER ITEMS
(BOUND) WHERE REDUCTION IN THE APPLIED RATE WAS NEGLIGIBLE,
THE EC WAS STUDYING WHETHER A FURTHER TARIFF REDUCTION
WOULD PROVIDE ANY "REAL" IMPROVEMENT IN ACCESS. DUGIMONT
IMPLIED THAT A DECISION ON HOW MUCH PRESSURE THE EC WOULD
PUT ON JAPAN FOR IMPROVEMENTS IN THEIR OFFER MIGHT DEPEND
ON WHAT DENMAN ACHIEVED IN TOKYO DURING HIS CURRENT
VISIT. DUGIMONT PROMISED THAT AS EC THINKING AND
ANALYSIS ON THE JAPANESE OFFER EVOLVED, THEY WOULD SHARE
THIS WITH U.S.

8. HUYSMANS BRIEFLY COMMENTED ON THE RESULTS OF THE EC
NOMENCLATURE COMMITTEE CONSIDERATION OF U.S. RECLAS-
SIFICATION REQUESTS. DETAILS SENT SEPTTEL.

9. DRAFTED BY MARSH. MCDONALD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TARIFFS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GENEVA04179
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780119-0915
Format: TEL
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780356/aaaabuzd.tel
Line Count: 249
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0c9a17c5-c288-dd11-92da-001cc4696bcc
Office: ACTION STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3294821
Secure: OPEN
Status: NATIVE
Subject: MTN: US/EC BILATERAL ON TARIFFS AND BILATERAL NONTARIFF MEASURES
TAGS: ETRD, US, MTN, EEC
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/0c9a17c5-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014